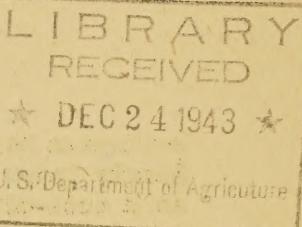


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WILL THE WAR LABOR BOARD HOLD THE LINE ON WAGES?

Extemporaneous Remarks by Wayne L. Morse, Public Representative, National War Labor Board, at the 21st Annual Agricultural Outlook Conference, Washington, D. C. October 18, 1943.

I wish to start and close my comments with the suggestion that the time has come to tell American farmers, American employers, and American employees that they have no right to expect to be paid for winning this war, but they must proceed, and proceed willingly, to pay for winning this war. As I look at the labor problem from a national perspective, as a member of the War Labor Board, I tell you that we are headed for serious difficulties if that bit of advice is not heeded, and headed quickly by all the pressure groups in this country, including farmers, employees, and the employers. It isn't a question of whether we will hold the line. We must hold the line. We must hold the line, or we shall endanger the economic system which I am sure we all believe must be preserved if we are going to preserve both political and economic democracy in America.

Therefore, the public members of the War Labor Board have taken the position from the beginning of the Board's work--in fact, they took it in the first decision they ever wrote--that they intend to hold the line on wage increases. Their record is open to any group that wishes to scrutinize it as to whether or not, the line against wage increases has been held in accordance with the wage stabilization program of the Government.

In July 1942, we enunciated in mathematical form the Little Steel formula, but in the Little Steel case we added only the mathematics--the particular percentage figure--because in the first decision of the War Labor Board we announced the Little Steel formula insofar as its fundamental principle is concerned. In the case involving the Aluminum Company of America, decided February 10, 1942, we said, and we have continued to say, that American labor cannot hope to keep day-by-day pace with changes in the cost of living by receiving corresponding changes or increases in wages. It is that principle which is the essence of the Little Steel Formula. The Little Steel Formula does not hitch wages to the cost of living.

The Board, by enunciating the Little Steel Formula, really said to labor, "We have heard all we care to hear about your demands for further increases in wages because of changes in the cost of living. We are tired of that argument. We think you have to bear your sacrifices in this war and you cannot expect increases in hourly rates of pay to correspond with increases in cost of living, because to grant you that demand is but to feed the spiral of inflation. So we are going to put a terminal on this race between wages and prices. We are going to fix an end to it. We are going to tell you for the last time what we have told you in principle--but perhaps in the abstract--in the Aluminum case and many other cases prior to the Little Steel case. We are going to tell you now that as far as the cost-of-living argument is concerned, we will listen to you only to this extent: If you can show that in a plant an appropriate group of

employees have not had a 15-percent increase in their average straight time hourly rates from January 1, 1941, to May 1942, we will grant that increase as a cost-of-living factor." Why? Because the statistical authorities of the Government told us, and presented sufficient data to convince us, that between those dates the national cost of living rose on the average approximately 15 percent. It was on April 27, 1943, that the President laid down what we, the public members on the War Labor Board, consider to be a mandate; namely, that as a general policy there should not be any more general wage increases.

There are many misconceptions of the Little Steel Formula, but let me tell you that as far as the War Labor Board is concerned its application is limited to those instances in which the cost-of-living argument is advanced by labor. We say that, insofar as the cost-of-living argument is to be given any weight in any wage case, the Little Steel Formula applies.

The Little Steel Formula is not the only criterion that justifies a wage increase if we look to the Act of October 2, 1942 and the Executive Order of October 3, 1942. Those documents set out certain criteria to be applied in wage cases. As a Board, we are bound to carry out instructions that are imposed upon us, both by Executive Order and by Congressional Mandate.

Briefly, what do our instructions provide? Prior to the so-called "Hold-the Line" Order of April 8, 1943, the War Labor Board was instructed not only to evaluate wage demands on the basis of the Little Steel Formula, but to correct substandard living conditions. We still apply those criteria. However, you haven't yet heard us define what wage rate marks the line between a standard of living and a substandard of living. I don't think you will, at least not with my vote. We recognize that rigidity in the application of freeze policies in the handling of dynamic situations leads to catastrophe. We recognize that what may be a substandard wage in State "X" may not be a substandard wage in State "Y." We recognize, too, that as our economy changes, what may not be a substandard wage this month may be a substandard wage a year hence. But in individual cases, on the basis of the record made and the merits of those cases, as we see them, we do grant wage increases to correct substandard living conditions of employees. Our decisions in some of the telephone and telegraph cases are your examples. The Portland Laundry case is another example. In that case we were satisfied that the wages paid the workers concerned did not permit them to maintain a standard of living of health and decency that is necessary for maximum war production.

It must be recognized that such matters involve the exercise of judgment; they involve the wise use of discretion. It is our position that such flexible leeway must be allowed the Board if we are to do justice and settle cases in the interest of the war effort. Whenever those administering such principles demonstrate that they cannot exercise honest judgment or competent judgment, then, we say, get rid of those who exercise the judgment, but don't make the mistake of trying to change dynamics into statics. Thus we have applied the wage criteria set forth in the various instructions to us according to our sights and on the basis of the evidence presented to us.

It should be remembered that the Little Steel formula and substandard-wage criteria were not the only criteria which the President and the Congress call upon us to apply when fixing wages. Under the Act of October 2, we were authorized to grant wage increases if we believed they were merited in the case, in order to remove any gross inequalities and inequities. Many people have the idea that the War Labor Board, under that Act and the Executive Order which followed it, set about to equalize wages in America. Quite the contrary is true. In Opinion after Opinion we pointed out that wages shouldn't be equalized. It would be most unsound to attempt to equalize them, and also, it would be most inflationary to attempt it. In a series of decisions we pointed out that historical differentials in wage rates should be maintained, and we have applied that doctrine over and over again in many cases. Nevertheless, we were instructed that if, in a given case, on the merits, we found gross inequalities and gross inequities in wage rates existing in this country, then we should correct them. We have done just that and the total increase in the National wage bill resulting from this exercise of judgment has been very slight. Its consequence upon the economy or the price structure of the country has been insignificant.

The next document in order of sequence which set forth wage instructions for the War Labor Board was Executive Order 9328. That Executive Order sought to limit the functioning of the War Labor Board as far as the control of wages is concerned to the application of the following two criteria: (1) the Little Steel formula; (2) the substandard-of-living tests.

It was my privilege to write the first decision of the Board under 9328 in the case of the Atlas Cement Company. I said then the only thing that could be said--that 9328 meant what it said; it was not ambiguous; it was not subject to any interpretation; it was clear and precise; and it said to the War Labor Board: these two criteria, and these two criteria alone, can be applied in adjusting wages.

It didn't take very long for those in authority to recognize that 9328 in that form couldn't work. If it stood unchanged, maximum war production would suffer, and gross hardships would increase. It amounted in fact to an almost complete wage freeze. It did not leave room for the exercise of judicial discretion by honest men who were confronted with the task of deciding wage cases on their merits.

We so notified the Administration, and there grew out of subsequent conferences with the Director of Economic Stabilization the Policy Directive Order of May 12, 1943, restoring to the War Labor Board the right to exercise discretion to a reasonable degree in determining cases upon their merits. The Directive retained the maladjustment formula and the substandard-of-living criteria, and in addition, gave to the Board the authority to adjust wages in accordance with wage brackets of sound and tested going rates in a labor market area. Also, at present we are operating under the right to make wage adjustments over and above the Little Steel formula and over and above substandards as an aid to effective prosecution of the war. Further, the War Labor Board is permitted to grant wage increases up to the minimum of the bracket of sound and tested going rates in a labor market area. It is under such a wage policy that the War Labor Board is now operating. In my judgment, it is operating with a success that is phenomenal so far as holding the line on wage increases is concerned.

You read of each wage increase we grant; you don't read of the hundred that we deny. You don't read that only 8 out of every 3,000 wage approvals result in an effect on prices that requires the Office of Price Administration to grant or recommend a price increase in order to meet the particular wage increase.

We take a position that isn't shared by all Government agencies. We believe that, as a general policy, wages should not be used to direct the flow of manpower. You know what is happening. We have a tight labor market; for the first time in our history, as far as our cases are concerned, the majority of employers are urging wage increases. Some 85 per cent of our demands for increased wages aren't coming from labor at all; they are coming from employers. Yes, the employers come in, and they don't even have their tongues in their cheeks any more; they come in now with the attitude that somehow they have the right to demand that the War Labor Board should give them a wage increase in order to keep their men. We dispel that notion very quickly. What do they want wage increases for? They want them either to keep the men they already have in their shops, or to pirate men away from their neighbors' shops.

Of course, if we granted wage increases for manpower purposes, not only would it be unsound from an inflationary standpoint, but it would be most unsound from a production standpoint. There is a great loss of production when men are shifted from area to area or from plant to plant. Last year I related to this conference our classic example of labor pirating. One employer—a Government Agency—wanted a wage increase in a certain plant and was about to get it because of presenting a very persuasive case. Somehow we felt that there was more persuasive appeal in the case than objective data and that perhaps a little cross examination would be helpful. We asked the Government official representing the agency, "Just where do you think you are going to get the men needed to build this vital equipment?" (No one could question that the goods needed were vital, and the representative of the Government made us feel that if we denied a wage increase we were almost shooting our own soldiers in the back.) He said, "There is a Navy arsenal about fifteen miles away, and we think we can get the men away from it." We said, "Well, let's talk to the Navy." We did. Need I tell you what the Navy's answer was? The increase was denied.

The War Labor Board isn't competent to determine whether it ought to grant a wage increase in order to move manpower. We are not manpower experts. That's not our job. So far as manpower is concerned, we say we will not grant a wage increase under our so-called "rare and exceptional case" doctrine (which is permitted under the Executive Policy Directive of May 12, 1943) unless the agencies of the Government concerned come before us and present data and evidence which justify us in reaching the conclusion that a wage increase ought to be granted—not as a precedent, but as an exceptional case—for the purpose of directing needed men into a given plant.

We did just that in the recent Boeing case. What happened in the Boeing case was that representatives of the agencies of Government vitally concerned with manpower and production—vitally concerned with increasing the production of B-17's—said to the Board, "We just cannot hire enough people at the Boeing plant in Seattle at existing wage scales. We are confronted with a labor market area in which wages paid in other war plants are so much higher than at Boeing that people just will not hire out at Boeing.

We must have more men so that we can have more bombers. They pointed out that since the previous refusal of the Board to grant a substantial wage increase at Boeing as of last March the production of bombers had fallen off to an alarming degree. They admitted that the wage factor was only one of several that was causing the problem. However, they made their case on wages, so we granted the request under that mandate in the May 12th Policy Directive which says that we may do so if we find a rare and exceptional case in which a wage increase is justified as an aid to winning the war.

How many of those cases have there been to date? Less than the number of fingers on my hand. That's how seldom we have applied the "rare and exceptional doctrine." There will be other cases of this type, but they will be few.

Now I want to make this statement about the position of the public members of the Board on the Little Steel formula. We have said for months, and we say now, that we don't intend to break the Little Steel formula. We intend to continue to apply it insofar as the cost-of-living factor is concerned in the face--as you well know--of strong labor opposition--honest opposition,--but I think mistaken in its point of view.

Results speak for themselves. You take these charts on the rostrum or take the reports of some other Government agencies, and the fact remains that the job of economic control during this war so far outclasses the job done in World War I that there is no comparison. We can expect that the pressure groups will continue to press, but let us hope that we can expect those who hold the thankless jobs in the emergency agencies to do their soldier job too. Criticisms of us are of no great concern except that they tend to mislead the public. However, we can take whatever criticisms may come from doing our job.

We have no intention of breaking the Little Steel formula, because we feel that we have the right to expect labor to sacrifice to a much greater degree than the present alleged 23 percent advance in the cost of living amounts to. We say to labor that there is a point at which the earnings of labor--the take-home earnings of labor--the total income of labor--becomes relevant in the denying of wage increases above the Little Steel formula. We know labor is working longer hours. We know that most of the large portion of the so-called increase in the wage bill of the country can be attributed to an increase in production and longer hours of work. In fact, only 35 percent of the increase in the wage bill of the country can be attributed to increase in wage rates; the rest must be attributed to increase in production. But we say that the result of that increase in earnings, nevertheless, gives to labor the ability to pay the increase in cost of living, at least up to the level it has now reached.

Further, let me say this about the cost-of-living control: I wish we could read more in the American press about the good job that the emergency agencies are doing. I wish the American people could be told about the good job the Office of Price Administration, the War Production Board, the Manpower Commission, and the other agencies are doing, as well as the criticism of the mistakes they make--along with our mistakes. We are bound to make mistakes considering the pressure and the speed under which we work, but the over-all record is a remarkably good one.

I should like to remind you that the average factory wage rates were increased by the War Labor Board less than 1 cent an hour during the first 8 months following the passage of the Act of October 2, 1942. From October 1942, when Congress directed that the wage levels should be stabilized, to May 1943, actions by the Board have increased the price of factory work less than 1 cent a month, figured on cents-per-hour pay. The price of work is the straight-time hourly rate paid to the same man for the same job. Thus we see that the extent to which the Board has carried out the mandate of Congress is evidenced by the fact that the monthly rate of increase in the amount of factory work since last October has been cut down to approximately one-fifth of what it was from January 1941 to October 1942, when the Stabilization Act was passed.

The effectiveness of this achievement has been obscured by the steady rise in average hourly and average weekly earnings. From October 1942 to May 1943, average hourly earnings rose 6.7 percent and average weekly earnings rose 10.7 percent. One should not infer from these figures that the Board has not stabilized wages. To suggest freezing weekly and hourly earnings is to suggest freezing war production.

I should like to close with a quotation from a recent opinion of the Board, which represents very clearly the attitude of the four public members who hold the balance of power on the Board. It will continue to represent their point of view.

"Workers are entitled to a standard of living of health and decency that will permit of maximum war production but beyond that workers should not expect wage increases in the midst of war. The life of an American soldier is a sacred thing. There is something almost sacrilegious about insisting upon improving economic conditions of our civilians at home above a standard of living of health and decency, while at the same time so many of our young men are suffering and dying in our armed forces on foreign soils in order that our American way of life may be preserved. It is the obligation of all of us to dedicate ourselves to the task of ending this war in the shortest period of time, and to effectuate that end we must be willing to increase our sacrifices at home to a degree not yet contemplated by most of us."